Annual Report of the Supervisor of Consumer Credit

For Year Ending
December 31, 1982

Alberta

CONSUMER AND
CORPORATE AFFAIRS

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Office of the Minister

402 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2305

The Honourable G. Amerongen
Office of the Speaker
Legislative Assembly of Alberta

Sir:

I have the honour to submit the Annual Report of the Supervisor of Consumer Credit for the year ending December 31, 1982, as required under the terms of The Credit and Loan Agreements Act.

Respectfully submitted,

Constantine E. Osterman

Constantine E. Osterman (Mrs.)
Minister of Consumer
and Corporate Affairs
M.L.A. for Three Hills

ANNUAL REPORT

To The Honourable Connie Osterman (Mrs.)

Minister of Consumer and Corporate Affairs

M.L.A. for Three Hills

Madame:

I am pleased to submit herewith my Annual Report for the year ending December 31, 1982, pursuant to the provisions of The Credit and Loan Agreements Act.

Respectfully submitted,

D. A. Bence

Supervisor of Consumer Credit

ANNUAL REPORT OF
THE SUPERVISOR OF CONSUMER CREDIT

Trends in Consumer Credit

The prime lending rate set by the Bank of Canada during 1982 was significantly lower than the record highs reached during 1981. The prime rate varied from a year high in June 1982 of 16.58 per cent to it's lowest level in several years of 10.05 per cent on December 30, 1982.

Despite the lowering of interest charges for consumer credit through most institutions, it is apparent that other economic factors have come into play and it appears that when final figures for 1982 consumer credit balances are assembled, the total will have fallen below 46 billion dollars for the first time since early 1981.

Figures assembled by the Bank of Canada and published in the December 1982 issue of the Bank of Canada Review, show that chartered banks continue to dominate the consumer credit field with in excess of 32.2 billion dollars outstanding of the total of 46 billion dollars. Figures contained in the said review show that Albertans have personal credit commitments to the chartered banks in excess of the national average. Estimated population figures for Alberta in October of 1982, indicate 2.33 million people which is 9.45 per cent of the Canadian estimated population of 24.69 million. At the same time, Albertans owed the chartered banks through personal loans, credit cards and other types of transactions a total of 4.544 billion dollars or almost 1,950 dollars per person living in Alberta.

1982 reflected significant increases in some types of lending such as bank credit card borrowings which was 27.5 per cent above 1981 figures and total indebtedness to the chartered banks for Albertans was slightly over 14 per cent of the total outstanding throughout Canada.

Canada bankruptcies across Canada and in Alberta increased during 1982 and for the third year in a row, Alberta figures reflect a higher percentage increase than the national figures.

Table 1. Total Personal Bankruptcies

1979		1980		1981		1982	
Canada	Alberta	Canada	Alberta	Canada	Alberta	Canada	Alberta
17,892	1,037	21,025	1,038	23,036	1,441	30,367	2,123
11.5%	9.7%	17.5%	26.1%	9.5%	10.%	32.8%	47.3%

Despite the increases in the percentages of bankruptcies for Albertans, personal bankruptcies in Alberta are still less than 7 per cent of the total in Canada while 9.45 per cent of the population resides within this Province.

The Consumer Credit Program also delivered it's Family Counselling responsibilities through the regional offices of the department and provided individual counselling through 9,700 interviews during 1982. The area administered repayment programs for over 1,000 debtors resulting in almost 1.8 million dollars being repaid to creditors in 1982. A focus of that

program remains with a counselling service aimed at educating consumers in proper financial and debt management in order to ultimately reduce the need for rehabilitative services.

Tax Discounters

Tax discounting transactions during 1982 continue to rise from the lows experienced following the passage of the Federal Tax Rebate Discounting Act in 1979. For the first time since the federal legislation was enacted, the dollar volume of the transactions within the Province of Alberta were greater than pre 1979 figures. (see Appendix 1)

The number of returns acquired by tax discounters increased by 75 per cent over 1981 and have gone up 833 per cent from 1979 figures, while the dollar amount increased 91 per cent over 1981 figures and 1,209 per cent since 1979.

The Consumer Credit Program administers the Tax Rebate Discounting Act as well as the appropriate provisions of the Credit and Loan Agreements Act dealing with tax discounting and work closely with the Federal Department of Consumer and Corporate Affairs and the Royal Canadian Mounted Police.

While the majority of tax discounters do operate within the existing legislation, two convictions were registered in 1982. These convictions resulted in fines of 450 dollars and 15,000 dollars and the payment of 13,000 dollars in restitution.

Education

The Consumer Credit Program continues to place high emphasis on methods of educating Albertans in the wise use of consumer credit in order to promote an understanding of credit transactions as well as assist individuals in coping with credit debt loads within their household budgets.

The self-help booklets entitled "Before You Go Under" and "Credit: Putting It All Together" continue to be used extensively by department staff for distribution to the public as tools for Albertans to use privately in examining their individual financial status.

Work has been initiated to consolidate the budgeting and credit management themes into a new publication which will address additional areas which impact on a family's budget.

It is felt that through continued development of high quality educational materials which are constantly examined and updated to ensure effectiveness and relevance in the marketplace, we can provide Albertans with sufficient information and guidance to understand the credit process and to assist individuals in coping with a variety of common situations found in family financial management.

Current Business Practices

During 1982, 503 credit related investigations were conducted and finalized through the regional offices of the department. Our investigations reveal a trend of increased complexity in the types of complaints lodged by consumers and the concerns raised by them with the credit granting process.

The six regional offices of the department completed 28 examinations of various types of credit grantors and collection agencies to ensure that compliance with the provincial legislation was maintained. Additionally, other investigations were initiated as a result of the examination of specific types of credit grantors under other programs maintained by this department and were used mainly to facilitate the recovery of excess charges under the credit contracts.

Industry Liaison

Work has continued with central organizations representing various credit granting and collection interest within the Province in order to ensure compliance with provincial legislation by the members of these groups. The majority of the work undertaken in 1982 with various industry groups was focussed on the types of forms and documents employed during the credit granting process. The increased use of flexible or variable rate lending by major credit granting groups in the province resulted in

extensive examination of the forms necessary to facilitate this type of lending and their relationship to the existing legislation.

Liaison with industry groups has been maintained in order to ensure the open discussion of mutual concerns and to provide the department with indications of trends taking place in the marketplace which may impact upon Albertans in credit granting transactions.

Appendix 1

Activity of Alberta Tax Discounters

	1979	1980	1981	1982
Number of Returns Acquired	890	2569	4781	8312
Total Amount of Refunds Acquired	$515,082.00	$1,675,687.00	$3,531,913.00	$6,744,088.00
Average Refund	$483.00	$652.27	$652.27	$811.37
Total Discount Retained	$83,555.00	$175,530.00	$436,863.00	$897,538.00
Average Discount Per Return	$93.00	$68.32	$92.38	$107.98
Percentage of Refund Retained	16.00%	9.55%	12.4%	13.30%

Appendix 2

Summery of Credit Complaints Received By

Consumer Credit Program in 1982

Complaint Investigations
(By Business Type)

	1982 TOTAL
Collection Agency	138
Retail	136
Bank (includes credit unions and trust companies)	121
Finance Company	54
Mail Order	12
Tax Discounter	6
Personal Services	6
Credit Reporting	3
Other	27
TOTAL	503

Appendix 3

Complaint Investigations (Problem Type)

	1982 TOTAL
Collection Practices	92
Cost of Credit	90
Advertising	68
Pay Out Calculation	65
Contract Liability	49
Unethical Practices	27
Cancellation of Contract	7
All Others (includes licensing investigations)	105
Total Complaints	503
Total dollar settlements of all complaint investigation files	$95,330.00
Average amount per file	$189.52